

# Weekly Economic Update

20 February 2017



FOR PROFESSIONAL ADVISERS ONLY

## UK

- The FTSE 100 closed the week at 7,300, up 1.0%. The UK 10 year gilt yield moved from 1.26% to 1.21%.
- Inflation reached its highest level in 2 and a half years as it climbed from 1.6% to 1.8%. This was marginally behind market expectations but inflation is still expected to move beyond the Bank of England's 2% target in the coming months.
- Former prime minister, Tony Blair, urged those in favour of the UK staying in the European Union to 'rise up'. His speech was met with widespread criticism of his refusal to accept the majority vote of the referendum. However, Blair is asking for a re-think given that the initial vote was made 'without knowledge of the full terms' of Brexit.

## GLOBAL

- Global equities continued to perform well as data releases pointed to continued economic growth, particularly in the US where indices reached all-time highs once again.
- Retail sales in the US grew by 0.4% in January which was above expectations and signalled higher consumer confidence. There were higher sales across all sectors except automobiles. The growth in retail sales in December was also revised upwards from 0.6% to 1%. Industrial production unexpectedly fell by 0.3%, driven by a fall in demand for heating amidst warmer weather.
- Chair of the Federal Reserve, Janet Yellen, spoke in front of congress last week, reinforcing her hawkish stance in regards to interest rates. Yellen stated that it may be 'unwise' to wait too long before hiking interest rates again. Markets responded by raising expectations for a March rise, while a June rate rise is now being more or less fully priced in by investors. Yellen also showed support for elements of one of Donald Trump's recent executive orders which permits a review of existing regulation in the US financial system.
- Yellen cited changes in fiscal policy as sources of uncertainty for markets going forward. Almost simultaneously, Trump confirmed the hire of Steven Mnuchin, former Goldman Sachs executive, as treasury secretary. Mnuchin is expected to play an immediate role in promised tax reforms to be unveiled in coming weeks. Michael Flynn, national security adviser, was relieved from his role after providing misleading information to vice-president Mike Spence after discussions with a Russian ambassador.
- EU members and the International Monetary Fund (IMF) are hoping to reach a deal this week on further debt relief to Greece. The IMF have argued that Greece's recovery and debt repayments are not sustainable without further aid. The Greek government have opposed suggestions of further austerity measures, after it was announced that Greece's economy unexpectedly contracted by 0.4% in the last quarter of 2016.

Equity Markets	Index Level 17 Feb 17	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3969	3.2%	2.9%	25.2%
FTSE 100	7300	3.2%	2.7%	26.3%
FTSE 250	18707	3.1%	3.6%	19.1%
MSCI World	1837	3.7%	4.3%	40.4%
S&P 500	2351	4.4%	4.5%	43.4%
DAX	11757	1.3%	2.2%	37.3%
Nikkei 225	19235	2.2%	3.2%	41.4%
Hang Seng	24034	3.7%	8.4%	52.3%
MSCI World EM	939	4.4%	8.1%	50.9%

Bond Markets	Yield 17 Feb 17	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.59	1.5%	-0.2%	5.6%
FTA All Stock ILG Index	-1.65	-0.2%	-0.1%	18.9%
FTA Over 5 Year ILG Index	-1.64	-0.3%	-0.2%	21.0%
FTA Under 5 Year FIG Index	0.25	0.4%	0.1%	1.4%
FTA Over 15 Year FIG Index	1.82	2.4%	-0.8%	10.2%

Interest Rates & Yields	Yield 17 Feb 17	Yield 31 Jan 17	Yield 31 Dec 16	Yield 17 Feb 16
UK 15 Year Gilt Yield	1.63	1.79	1.63	1.87
US 10 Year Treasury Yield	2.41	2.45	2.44	1.82
German 10 Year Yield	0.30	0.44	0.21	0.27
Spanish 10 Year Yield	1.64	1.60	1.38	1.74
Greek 10 Year Yield	7.71	7.74	7.02	10.76
Japan 10 Year Yield	0.09	0.09	0.04	0.05

Currencies Exchange Rate	17 Feb 17	31 Jan 17	31 Dec 16	17 Feb 16
GBP / EURO	1.17	1.17	1.17	1.28
GBP / YEN	140.41	142.04	144.01	163.48

Commodities	Price Level 17 Feb 17	Price Level 31 Jan 17	Price Level 31 Dec 16	Price Level 17 Feb 16
Gold \$	1,234.95	1,210.65	1,152.27	1,208.60
Wheat \$	441.00	420.75	408.00	468.50

Source: Mobius Life, Bloomberg  
Please Note: Past performance is not a guide to future performance

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# Weekly Economic Update

Upcoming Data Releases



Date	Region	Event	Survey	Actual	Prior
20/02/2017	UK	Rightmove House Prices MoM	--	2.00%	0.40%
21/02/2017	JN	All Industry Activity Index MoM	-0.20%	--	0.30%
21/02/2017	FR	CPI YoY	1.40%	--	1.40%
21/02/2017	FR	Markit France Composite PMI	53.8	--	54.1
21/02/2017	GE	Markit/BME Germany Composite PMI	54.8	--	54.8
21/02/2017	UK	Public Sector Net Borrowing	-14.4b	--	6.4b
21/02/2017	US	Markit US Composite PMI	--	--	55.8
22/02/2017	GE	IFO Business Climate	109.6	--	109.8
22/02/2017	IT	CPI EU Harmonized YoY	0.70%	--	0.70%
22/02/2017	UK	GDP QoQ	0.60%	--	0.60%
22/02/2017	US	MBA Mortgage Applications	--	--	-3.70%
22/02/2017	US	Existing Home Sales	5.54m	--	5.49m
23/02/2017	GE	GDP SA QoQ	0.40%	--	0.40%
23/02/2017	GE	GfK Consumer Confidence	10.1	--	10.2
23/02/2017	FR	Manufacturing Confidence	106	--	106
23/02/2017	IT	Retail Sales MoM	0.20%	--	-0.70%
23/02/2017	US	Initial Jobless Claims	240k	--	239k
24/02/2017	IT	Manufacturing Confidence	104.6	--	104.8
24/02/2017	IT	Consumer Confidence Index	108.8	--	108.8
24/02/2017	US	New Home Sales	571k	--	536k
24/02/2017	US	U. of Mich. Sentiment	96	--	95.7

Source: Bloomberg

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